MINUTES OF THE
JOINT HEALTH AND HUMAN SERVICES APPROPRIATION SUBCOMMITTEE
Wednesday, February 2, 2005, 2:00 p.m.
Room W125, West Office Building, State Capitol Complex

Members Present: Sen. Sheldon L. Killpack, Committee Co-Chair
                              Rep. Merlynn T. Newbold, Committee Co-Chair
                              Sen. Chris Buttars
                              Sen. Allen M. Christensen
                              Rep. Bradley G. Last
                              Rep. David Litvack
                              Rep. Steven R. Mascaro
                              Rep. Roz McGee
                              Rep. Paul Ray
                              Rep. Aaron Tilton

Members Excused: Sen. Gene Davis

Staff Present: Spencer C. Pratt, Legislative Fiscal Analyst
                              Thor Nilsen, Legislative Fiscal Analyst
                              Norda Shepard, Secretary

Public Speakers Present: David N. Sundwall, Executive Director, Department of Health
                              Michael Deily, Director, Division of Health Care Financing
                              Dennis Tingey, IT Manager, Division of Health Care Financing
                              Richard Melton, Deputy Director, Department of Health

A list of visitors and a copy of handouts are filed with the committee minutes.

The meeting was called to order by Co-Chair Killpack at 2:03 p.m.

Co-Chair Killpack announced that the subcommittee meeting for public testimony on Thursday would be held in
Room W135. He indicated that a sign up sheet for those wishing to testify in that meeting was on the end of the
table. He stated that time limits for testimony from an association or organization would be 5 minutes and 3 minutes
for individuals.

1. **Department of Health: Health Care Financing - Medical Assistance - CHIP**

Analyst Spencer Pratt distributed a cross reference of which tab corresponds with which COBI and issues brief for
the Divisions that would be discussed at this meeting. He stated he would give an overview of the Medicaid
program, the CHIP program and the Division of Health Care Financing and then go into some specific issues briefs
and areas of concern. He said these programs cover about 90% of the Department of Health's budget and 41% of the
FTEs. The Medicaid budget is one of the largest budgets in the entire state and one of, if not the, fastest growing
budget in the state. Medicaid is a joint state/federal program that provides health care to selected low income
populations. In Utah's case, the federal government pays about 70% of the cost and the state covers the other 30%.
This can vary from year to year. Because the federal government pays the majority of the costs, they set the rules
and regulations, with some state flexibility to tailor the program to specific needs. He explained that in the Medicaid
program there are mandatory and optional services. The chart on page 8-8 of the COBI lists the covered Medicaid
categories. He noted that the highest expenditures are for the aging. People are living longer and this is a significant
factor in increasing costs, which will soon become a major problem. He stated now is the time to consider various
solutions.

Mr. Pratt explained that the Children's Health Insurance Program (CHIP) began in 1998 and covers children in families who are above the income level for Medicaid. CHIP is administrated by the Public Employee's Health Program and offers a benefit package similar to PEHP, emphasizing prevention. CHIP does not offer as extensive a benefit package as Medicaid and is less expensive and also gets a better matching rate from federal funds. The Legislature has elected to use tobacco settlement money as Utah's 20% match. CHIP has the capacity to cover about 27,000 to 28,000 at a given time. When enrollment goes down, the program has an open enrollment period.

Mr. Pratt explained that the other Division for discussion today is the one that administers these two programs and is referred to as the Division of Health Care Financing. This is where the bulk of the 41% of the FTEs are located. There are several programs within this Division including the Director's Office: Financial Services, where the Medicaid budget is managed and Medicaid providers audited; Managed Health Care, which coordinates efforts for managed care in both medical and mental health for Medicaid recipients; and Medical Claims which processes all of the Medicaid claims. The largest part of this budget is eligibility services which has approximately 250 FTEs who determine if applicants qualify for Medicaid or CHIP. Mr. Pratt discussed some Issue Briefs concerning this Division which are found under Tab 3 in the Budget Analysis binder.

He discussed the need for an updated Medicaid Management Information System (MMIS) in the Division of Health Care Financing to replace old, antiquated computer programming language. A new system would qualify for federal matching funds at a 90/10 split. Cost of this new equipment is calculated to be $40 million. This would require an appropriation of one time funding of $4 million from general funds and $36 million matching federal funding. The Analyst also recommends that intent language state that this money be non lapsing and require periodically reporting on the progress of the project.

David N. Sundwall, Executive Director, Department of Health, distributed a chart which compares the Governor's and the Analyst's recommended budgets. He stated that problems faced here this afternoon are what every state's Legislature is doing this year. Medicaid is the hottest topic in health care. He distributed a draft of the National Governor's Association on what they are trying to do to deal with Medicaid on a state level. He also distributed a copy of an article from the Salt Lake Tribune entitled "Medicaid Battle Brews for Leavitt" and a summary of a speech given by Health and Human Service Secretary, Michael Leavitt. He introduced Tilly Rollin from the regional office of CMS in Denver and Oscar Fuller from the federal CMS who were in attendance and emphasized the partnership between the state and the federal government.

Michael Deily, Director, Division of Health Care Financing, distributed a packet containing the Division reports and information on areas of concern.   He indicated that in FY 2004, the Division had nearly $1.4 billion in expenditures which served 345,000 enrollees in Medicaid, Primary Care Network (PCN), and CHIP. He discussed the charts in the handout which shows poverty levels and numbers served in the different mandatory and optional Medicaid groups. He explained the spenddown program where a person who exceeds the proverty income level can buy into the Medicaid program by paying the difference between their income and the poverty level. He indicated that SSI is a federal benefit for individuals who are disabled and who do not have enough work history to qualify for social security disability benefits.   He said people below poverty are living on $776 a moth and people on SSI at $564 a month. He said cuts to dental care has a great effect on these people.   With the high cost of dental care, these low monthly incomes make it very difficult to afford even a co-payment for dental care.

He discussed the Medicaid optional services which are listed on the handout, pointing out the largest expenditures are for pharmacy, home and community based waivers, ambulatory surgical services, and kidney dialysis. He answered questions from the committee regarding the limiting of prescriptions and stated the Division now uses a utilization review if someone goes over seven prescriptions in a month. The Division has contracted with the University of Utah School of Pharmacy to review and work with the prescribing doctors to provide them with feedback on duplications, if there are less costly alternatives, or perhaps multiple subscribers. He stated that utilization has saved money and resulted in better medical care.

Dr. Sundwall asked to be excused to take a conference call from Secretary Leavitt.

Mr. Deily discussed performance measures and consumer satisfaction measures outlined in the handout. He indicated that most were looking good except for customer service, which was down a little. He said they are trying to pin point the problem so they can work to improve. He said these performance measures are an indicator of where the Division is and where it needs to improve.

He discussed the difference in the Governor's and the Analyst's recommended budgets. He said the Analyst had no recommendation for Medicare Prescription Drug Improvement and Modernization Act or the Payment Error Rate Measurement.   The Analyst has recommended $4 million one time FY 2005 full funding for the MMIS and the Governor recommends a one time 1/2 project funding for FY 2006. Committee members questioned the high cost for this project. Richard Melton, Deputy Director, Department of Health, indicated that the old system will not last much longer and the cost to replace it will not go down.

Dennis Tingey, IT Director, Division of Health Care Financing, answered committee questions concerning the MMIS project. He indicated that the $40 million cost may sound high but is competitive to what other states of equal size have paid. He said the project can't easily be divided into two halves and it may be difficult to obtain a contractor if there is not funding for the whole project up front.

MOTION: Sen. Buttars moved to approve the minutes of 1-27-05 with the correction on Page 8 to indicate that Sen. Christensen was present for the vote to adjourn. The motion passed unanimously with Rep. Litvack, Rep. Mascaro, and Rep. McGee absent at the time of the vote.

Mr. Deily continued with his presentation by discussing the Medicare Part D issues with prescription coverage. He stated that this has every Medicaid director in the country worried. As of 2006, Medicare will have a pharmacy benefit. That benefit will include people who are on both Medicaid and Medicare. He said the state has about 19,000 people covered by both programs. This benefits will transfer solely to Medicare on January 1, 2006. This will require a premium to be paid which will exceed the subsidy for that premium. He indicated that many of this population have severe medical problems. He said it will be a very complex system. The handout contains a time line for the Medicare Part D which he states is very compressed and which will cause confusion for a time. He said many of these clients may need to change their prescription drugs and perhaps with very little notice. He said he is concerned because it will be a huge task with not enough time.

He reported that the Division is required by intent language to report back on the fair rental value system in nursing homes. This was implemented on September 15, 2004 the Executive Appropriations Committee was notified. He stated that it is a much improved reimbursement system for nursing home property costs.

Co-Chair Killpack thanked the Divisions for their time.   He stated that the meeting on Thursday would begin at 2:00 p.m. and would be in W135.   He reminded those who wished to speak that a sign up sheet was available.

MOTION: Rep. Last moved to adjourn.   The motion passed unanimously with Rep. McGee absent at the time of the vote.

Co-Chair Killpack adjourned the meeting at 4:15 p.m.

Minutes reported by Norda Shepard, Secretary.

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Sen. Sheldon L. Killpack   Rep. Merlynn T. Newbold
Committee Co-Chair   Committee Co-Chair